



Joint Economic Committee

Republicans

Representative Kevin Brady
Vice Chairman

MEMBER VIEWPOINT: SENATOR JIM DEMINT

White House Spin: The Rich Should Pay More

"If you're a wealthy CEO or hedge fund manager in American right now your taxes are lower than they have ever been... They're lower than they've been since the 1950s, and you can afford it. You'll still be able to ride on your corporate jet. You just have to pay a little more."

- President Obama, June 29, 2011

30 Second Response

Currently, the top marginal tax rates are 33 percent and 35 percent. President Obama has proposed that Congress allow the Bush Tax Cuts expire for these top earners, and have the rates increase to 35 percent and 39.6 percent. **The top marginal rates, however, are not the lowest they have ever been since the 1950s.**

- Top marginal tax rates were substantially lower in the late 1980s. Between 1988-1989, the top marginal tax rate was 28% as a result of the Reagan tax cuts.

Raising top marginal tax rates on the "rich" **will not result in more federal revenue.** Revenue has historically remained around 18% of GDP despite massive fluctuation in top marginal rates over history, from over 90% to a low of 28% since the end of World War II.

- From 1950 to 1963 when the top marginal tax rate exceeded 90%, federal tax revenues averaged 17.4%.
- When the top marginal tax rate was 28% from 1988-1989, federal tax revenues averaged 18.3% of GDP.

Increasing the rates on the top earners in our economy will hurt investment, job creation and economic growth. Higher marginal rates reduce incentives to work and expand businesses. According to data from the Treasury Department, 72% of all small business income is subject to the top two marginal tax rates.

- Raising tax rates on these small businesses will reduce investment, job creation and economic growth. It will not create a single job, and will eliminate many.

Raising taxes on the top earners is counterproductive. Revenue is not the problem, spending is. If the President is serious about getting our fiscal house in order, he should encourage Congress to pursue policies—such as tax reform, reduced federal regulatory burdens, entitlement reform, and most importantly, a balanced budget amendment—that promote, rather than hamper, job creation and economic growth.